

Message Text

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TO SECSTATE WASHDC 8600

INFO ALL EC CAPITALS 505

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TAGS: EIND, EEC

SUBJECT: RAW MATERIALS -- EC COMMISSION PROPOSED NEGOTIATING
POSITIONS FOR THE FIFTH INTERNATIONAL TIN AGREEMENT

REF: EC BRUSSELS 1369

1. SUMMARY: THE EC COMMISSION HAS PROPOSED POSITIONS TO
THE EC COUNCIL FOR THE UPCOMING NEGOTIATIONS OF THE FIFTH
INTERNATIONAL TIN AGREEMENT. THE COMMISSION PAPER REFLECTS
CONCERN FOR SECURITY OF SUPPLY AND ADVOCATES A WIDE ZONE
FOR RELATIVELY FREELY FLUCTUATING PRICES AND LIMITATIONS
ON BUFFER STOCK INTERVENTION. IT ALSO RECOMMENDS THAT
THE BUFFER STOCK BE INCREASED FROM 20,000 TO 35,000 METRIC
TONS AND THAT THE BUFFER STOCK BE FINANCED EQUALLY BY PRO-
DUCERS AND CONSUMERS. WE HAVE NOT YET HEARD MEMBER
STATE REACTIONS. END SUMMARY.

2. THE EC COMMISSION HAS SENT THE EC COUNCIL A COMMUNICATION
ON PARTICIPATION BY THE COMMUNITY AND THE MEMBER STATES
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IN THE UNITED NATIONS CONFERENCE ON THE NEGOTIATION

OF THE FIFTH INTERNATIONAL TIN AGREEMENT, WHICH WILL TAKE PLACE IN GENEVA FROM MAY 20 TO JUNE 20. (ON APRIL 2, WE TRANSMITTED A COPY OF THE COMMUNICATION TO EUR/RPE ATTENTION HARDING AND USOECD ATTENTION ROGERS.) IT CONTAINS A RECOMMENDATION FOR A COUNCIL DECISION ON THE TIN AGREEMENT NEGOTIATION, WHICH SPELLS OUT A PROPOSED COMMUNITY NEGOTIATION POSITION. IT ALSO ASKS THE CUNCIL TO GIVE THE COMMISSIN AUTHORITY TO CONDUCT THE NEGOTIATIONS ON BEHALF OF THE COMMUNITY. FOLLOWING IS A DESCRIPTION OF THE COMMISSION'S POSITION ON THE MAIN ISSUES OF THE NEGOTIATION, BASED IN PART ON A DISCUSSION WITH LAURUS DE JONGE, THE SECTION CHIEF IN THE DIRECTORATE GENERAL FOR INDUSTRIAL AND TECHNOLOGICAL AFFAIRS WHOL WAS ACTIVE IN THE DEVELOPMENT OF THE COMMISSION'S POSITIONS.

3. INTERVENTION PRICES -- IN THE CURRENT (FOURTH) INTERNATIONAL TIN AGREEMENT THE RANGE BETWEEN FLOOR AND CEILING PRICE IS DIVIDED INTO THREE ZONES. AT PRESENT THE BUFFER STOCK MANAGER (BSM) MAY BUY AND SELL TIN IN THE UPPER AND LOWER ZONES. HE MAY ONLY INTERVENE IN THE MIDDLE ZONE IF SPECIFICALLY AUTHORIZED TO DO SO BY THE INTERNATIONAL TIN COUNCIL, WHICH IS COMPOSED OF REPRESENTATIVES OF ALL CONTRACTING PARTIES. THE TIN PRODUCERS WANT THE BSM TO BE ALLOWED TO INTERVENE FREELY IN THE MIDDLE ZONE. THE COMMISSION OPPOSES THIS PROPOSAL. IT BELIEVES THAT IF HE WERE ALLOWED TO DO SO HE WOULD TRANSFORM THE DEFENSE OF THE FLOOR AND CEILING PRICES,THE OBJECTIVE OF THE AGREEMENT, INTO SUPPORT FOR A CENTRAL PRICE. THE COMMISSION WANTS THE MIDDLE ZONE TO REMAIN AN AREA WHERE PRICES MAY FLUCTUATE FREELY AND REJECT INTERVENTION IN THAT ZONE BECAUSE OF THE RIGIDITIES SUCH INTERVENTION WOULD BRING. IN ADDITION, IT WOULD LIKE TO SEE THE MIDDLE (NON-INTERVENTION) ZONE WIDENED.

4. SIZE OF THE BUFFER STOCKS -- IN THE PRESENT AGREE-
MENT THE MAXIMUM TARGET FOR THE BUFFER STOCK IS 20,000
METRIC TONS OF TIN. THE COMMISSION RECOMMENDS THAT
IT BE INCREASED TO 20 PERCENT OF THE VOUME OF WORLD TRADE
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(AROUND 35,000 METRIC TONS). IT ARGUES THAT EXPERIENCE
AND MARKET TRENDS HAVE SHOWN THAT THE CURRENT MAXIMUM
TARGET IS INSUFFICIENT TO FUFULL THE AIMS OF THE
AGREEMENT.

5. FINANCING THE BUFFER STOCK-- THE COMMISSION
BELIEVES THAT THE BUFFER STOCK SHOULD BE FINANCED ON
AN EQUAL BASIS BY BOTH PRODUCERS AND CONSUMERS. AT

PRESENT THE FINANCING IS DONE BY THE PRODUCERS. THE COMMISSION FEELS THAT THE NON-PARTICIPATION OF CONSUMER COUNTRIES IN THE FINANCING OF THE STOCK MAY PREVENT THEM FROM PARTICIPATING IN ITS MANAGEMENT AND COULD FURTHER ENCOURAGE THE PRODUCERS TO CONCLUDE AN AGREEMENT AMONG THEMSELVES.

6. OPERATION OF THE BUFFER STOCK -- THE COMMISSION POSITION, AS NOTED IN PARA 3, IS THAT THE BUFFER STOCK MANAGER SHOULD BE RESTRICTED IN INTERVENING IN THE MIDDLE PRICE ZONE ALTHOUGH HE WOULD BE PERMITTED TO WHEN VERY SPECIFIC CONDITIONS PREVAILED THAT WOULD BE CLEARLY DEFINED BEFOREHAND.

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7. EXPORT CONTROL -- THE COMMISSION, CONCERNED ABOUT SECURITY OF SUPPLY, (THE COMMUNITY IS ALMOST TOTALLY DEPENDENT ON IMPORTED TIN AND ITS IMPORTS REPRESENT 35 PERCENT OF TOTAL WORLD TRADE IN TIN) BELIEVES THAT AMENDMENTS SHOULD BE PROPOSED TO THE CRITERIA FOR THE APPLICATION OF EXPORT CONTROLS TO ENSURE THAT SUCH CONTROLS WOULD ONLY BE A MEASURE OF LAST RESORT.

8. MEASURES TO BE TAKEN IN TIMES OF SHORTAGE--THE COMMISSION BELIEVES THAT PRESENT AGREEMENT PROVISIONS ARE INSUFFICIENT TO GUARANTEE CONSUMER COUNTRIES' SECURITY OF SUPPLY IN TIME OF SHORTAGE AND PROPOSES THAT EXISTING AGREEMENT PROVISIONS SHOULD BE STRENGTHENED TO INCLUDE BINDING PROVISIONS ON PRODUCERS SIMILAR TO THOSE FOR EXPORT CONTROLS (SEE PARA 7). ACCORDING TO DE JONGE, THERE COULD BE A REQUIREMENT FOR PRIORITY SUPPLY TO SIGNATORIES OF THE AGREEMENT. DE JONGE ADMITTED SUCH A RESULT WOULD BE DIFFICULT TO REALIZE BECAUSE IT WOULD INVOLVE THE BREAKING OF LONG-TERM PRIVATE CONTRACTS WITH COMPANIES FROM LIMITED OFFICIAL USE

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NON-SIGNATORY COUNTRIES.

9. COMMUNITY PARTICIPATION IN THE AGREEMENT--THE COMMISSION SEEKS COUNCIL AUTHORITY UNDER ARTICLE 113 OF THE ROME TREATY TO CONDUCT THE NEGOTIATIONS OF THE FIFTH TIN AGREEMENT ON BEHALF OF THE COMMUNITY IN CONSULTATION WITH A SPECIAL COMMITTEE SET UP UNDER ARTICLE 113. THE COMMISSION WOULD HAVE THE DRAFT FIFTH TIN AGREEMENT AMENDED TO ALLOW THE COMMISSION TO CAST THE COLLECTIVE VOTE OF THE MEMBER STATES WHO WOULD NOT BE ENTITLED TO EXERCISE THEIR INDIVIDUAL VOTING RIGHTS.

10. BECAUSE OF THE CURRENT EASTER VACATION, WE HAVE NOT YET HAD REACTIONS FROM PERM REP OFFICIALS TO THE COMMISSION PROPOSALS. DE JONGE SAYS THE MEMBER STATES AGREE WITH A WIDER NON-INTERVENTION ZONE ON THE BUFFER STOCK OPERATION. HE ADMITTED THAT GERMANY, WHO RESISTS BEING THE "MILK COW" OF THE COMMUNITY, IS LIKELY TO BE NEGATIVE TO PAYING FOR BUFFER STOCKS. THERE IS ALSO LIKELY TO BE STRONG RESISTANCE TO ALLOWING THE COMMISSION TO NEGOTIATE ON BEHALF OF THE MEMBER STATES.

11. COMMENT: THE COMMISSION SEEKS JOINT FINANCING OF A LARGER BUFFER STOCK IN ORDER TO INCREASE CONSUMER CONTROL AND SECURITY OF SUPPLY. HOWEVER, WITH STABEX AND THE LOME AGREEMENT BEHIND IT, THE COMMISSION AND THE COMMUNITY BELIEVE THE EC HAS A LEADERSHIP ROLE TO PLAN IN DE-LDC RELATIONS AND CAN BE EXPECTED TO BE SENSITIVE TO LDC DEMANDS. BECAUSE THE TIN AGREEMENT WILL BE THE FIRST INTERNATIONAL AGREEMENT NEGOTIATED IN THE ATMOSPHERE OF THE "NEW WORLD ECONOMIC ORDER" THE COMMUNITY, WHICH IS IN THE PROCESS OF EVOLVING A RAW MATERIALS POLICY, IS LIKELY TO GIVE IT CONSIDERABLE IMPORTANCE AS IT COULD BE A PRECEDENT

FOR OTHER AGREEMENTS. DE JONGE RECOGNIZED, HOWEVER,
THAT WHEREAS THE LIMITED SIZE OF THE TIN BUFFER STOCK
MADE IT FEASIBLE TO HOPE FOR CONSUMER FINANCIAL
PARTICIPATION, IT WOULD NOT BE POSSIBLE FOR THE
JOINT-FINANCING OF A COPPER BUFFER STOCK BECAUSE
OF THE VASTLY GREATER TONNAGE INVOLVED. HE PERSONALLY
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INSTANCE BY UN STUDY GROUPS SUCH AS THOSE FOR
LEAD AND ZINC. END COMMENT. MEYERSON

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